



# **INTERNAL AUDIT DIVISION WORK PLAN**

## **FISCAL YEAR 2009 - 2010**

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**Audit Work Plan for Fiscal Year 2009-2010**

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# **Audit Work Plan for Fiscal Year 2009-2010**

## **Mission Statement**

To provide an independent and objective appraisal of activity for management and to furnish management with the proper analyses, recommendations and information concerning the activities reviewed.

## **Vision Statement**

To promote positive change throughout City's operations while ensuring that public resources are used effectively, efficiently, and economically.

## **Goals & Objectives**

The goals of Internal Audit are to promote accountability to the public and to improve efficiency and effectiveness throughout the City of Wilmington. Our objective is to reduce risks and promote compliance with management and City policies.

# Audit Work Plan for Fiscal Year 2009-2010

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The City of Wilmington's Internal Audit Division performs work for and under the direction of the City of Wilmington's City Manager and the City of Wilmington's Audit Committee. The 2009 – 2010 Fiscal Year Audit Plan is designed to satisfy the needs of the City Manager, and outline the services that the Office plans to initiate and/or complete during the 2009 – 2010 Fiscal Year.

This Audit Plan is a working document, in that the City Auditor is authorized to perform work not specified in the Audit Work Plan when deemed necessary in her professional judgment.

## **AUDIT SERVICES**

The office complies with generally accepted government auditing standards that provide a framework for conducting high quality audits and attestations engagements with competence, integrity, objectivity, and independence. Audit Services Include:

### **Program and Efficiency Audits**

Conducted to measure the extent to which a program is either achieving its goals and objectives or whether the City departments are acquiring, protecting, and using their resources in the most productive manner to achieve program objectives.

### **Financial Audits**

Conducted to provide an independent report on whether the entity's financial information is presented fairly and in accordance with recognized criteria, provide users with statements concerning the reliability of information, and provide information about internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they related to financial transactions, systems, and processes.

## **ADDITIONAL SERVICES**

In addition to Audit Services, the Internal Audit Division provides the following additional services.

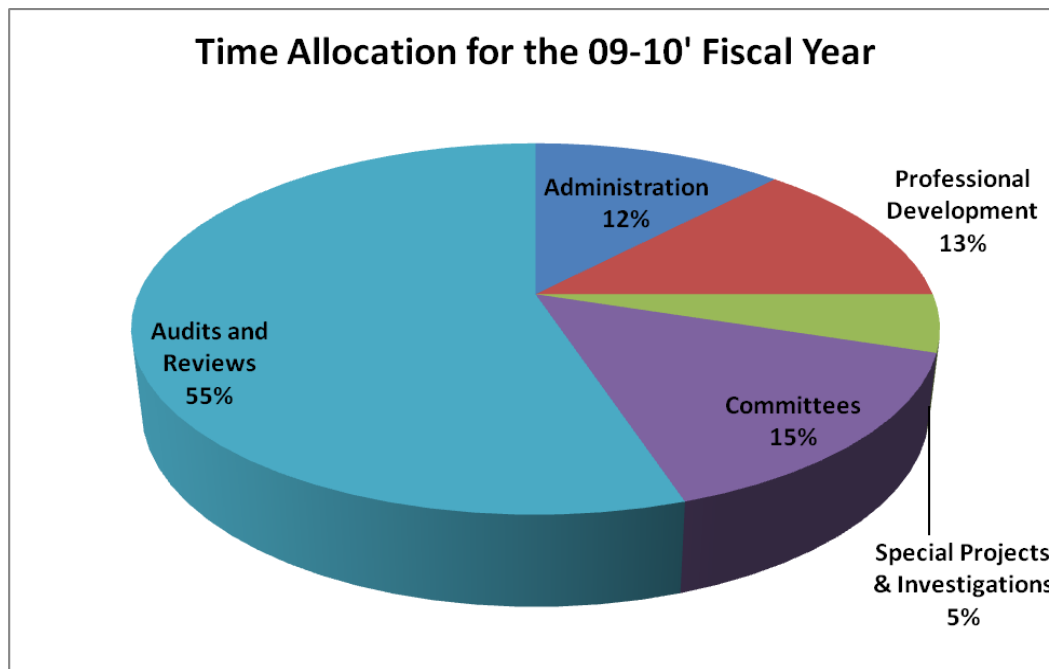
### **Fraud Detection and Prevention**

The City Auditor is responsible for operating the City's Fraud, Waste and Abuse Hotline. Investigations are conducted in accordance with the City's Core Values of Service, Respect, Professionalism, Safety and Integrity. These core values set the standards for the City of Wilmington's employees and are designed to promote ethical behavior. In the event an investigation is necessary to either substantiate or disprove allegations pertaining to fraud, waste, or abuse related to the City of Wilmington, the City Auditor will perform all necessary investigations in accordance with the City's core values. The City Auditor will provide City management and employees' with tools, techniques, and trainings that promote high ethical standards and emphasize control and protection of City resources.

### **Management Assistance / Special Projects**

The City Auditor performs certain audits and non-audit services (professional services that are not performed in accordance with generally accepted government auditing standards) at the request of management to assist in carrying out their responsibilities. Non-audit services may include, but are not limited to, providing technical advice, such as, participating on committees, management teams, and focus groups. The City Auditor provides Management Assistance Services based on request (written or oral) with consideration of the impact on auditor independence.

# Audit Work Plan for Fiscal Year 2009-2010



## AUDIT TIME ALLOCATION

The Internal Audit Division's time is allocated to several areas throughout each Fiscal Year. Internal Audit's time is not solely for the completion of audits and reviews. Audits and Reviews are the most important but other areas of importance must be completed for the Division to be successful. These areas of importance include: Professional Development, Participation in several City of Wilmington Committees, such as the Audit Committee, completion of Administrative tasks, and completion of any special assignments that are brought to Internal Audit either from external sources or internal sources throughout the year. You can see from the graph above the time allocation percentages for the Internal Audit Division for the 09-10 Fiscal Year.

### Administration

Data entry & Administrative Tasks for the Internal Audit Division

### Professional Development

On-going Professional Development for the Internal Audit Division. Professional Development includes future certifications and training possibilities. Future certifications include CIA (Certified Internal Auditor) and CPA (Certified Public Accountant) professional certifications. Future training includes continuing education for Internal Auditor and attendance at local or regional conferences.

### Special Projects & Investigations

Special assignments or investigations brought to Internal Audit from an internal (another department/division employee) or external (citizen/taxpayer) source. Special Projects can also include City of Wilmington Employee training hosted by the Internal Audit Division. Example: Fraud Detection and Awareness Annual Training.

### Committees

Audit Committee / Safety Committee / Health Committee / HPO Committee / Red Flag Rules Committee

### Audits and Reviews

Financial Audits (Analytics, Fieldwork, Report Preparation); Financial Audit Reviews/Follow ups (Report Follow ups); Loan Confirmations; Program Efficiency Audits (Analytics, Fieldwork, Report Preparation)

# Audit Work Plan for Fiscal Year 2009-2010

## PRIMARY WORK PLAN

2009 - 2010 Audit Area	Reason for Selection
<b>1. IT Audit</b>	<ul style="list-style-type: none"> <li>IT Audit has never been performed before at the City. This audit will take a significant amount of time however the findings could be substantially large and highly critical.</li> <li>An IT Audit is critical at this point as the City tries to transition to more of an automated and paperless culture.</li> <li>An information technology audit, or information systems audit, is an examination of the controls within an information technology infrastructure. An IT audit is the process of collecting and evaluating evidence of an organization's information systems, practices, and operations. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively and efficiently to achieve the organization's goals or objectives.</li> </ul>
<b>2. Purchase and Inventory System User Access Changes Follow up</b> – we are moving to an electronic approval system for PO's, FPO's, etc (as of May 09')	<ul style="list-style-type: none"> <li>Follow up on the current status of the purchase and inventory system user access changes by randomly testing a few user accounts to ensure the proper controls are being enforced.</li> <li>Also a possible test would be to ask the department heads to show the steps they use in approving requisitions (if they are the ones in the system as approving the requisitions – identify their username). If the department heads do not know how to do it then they are giving their staff their username and password and delegating the responsibility to their staff in an inappropriate way.</li> </ul>
<b>3. Fire Department Time and Attendance Audit</b> – Pull a random sample of timesheets and test for validity to supporting documentation. <ul style="list-style-type: none"> <li>Ensure Timesheet is positive identified for the employee.</li> <li>Ensure Employee has approved their own timesheet (sign &amp; date).</li> <li>Ensure Approvals by Authorized Supervisors (sign &amp; date).</li> <li>Ensure manual time recorded matches Kronos electronic system</li> <li>Ensure data is correctly entered into the HTE system by appropriate individual. <b>**</b>(Ensure data is entered timely into HTE. (data will only be keyed into HTE until we go "live" with the Kronos system))<b>**</b></li> <li>Verify employee's rate of pay and re-calculate the amount of employee's paycheck to ensure employee was paid appropriately.</li> <li>Ensure there is a backup individual for the</li> </ul>	<ul style="list-style-type: none"> <li>The Fire Departments Time and Attendance need to be audited.</li> </ul> <p><i>*In the past the overtime has always been the concentration, so I think it's time to review and improve the regular time processes and procedures.</i></p> <p><b>This is also a follow up to the newly implemented Kronos Time Management System that was implemented in TBD.</b></p>

<p>main time and attendance employee who enters data into the HTE system.</p>	
<p><b>4. Police Department Time and Attendance Audit - Pull a random sample of timesheets and test for validity to supporting documentation.</b></p> <ul style="list-style-type: none"> <li>• Ensure Timesheet is positive identified for the employee.</li> <li>• Ensure Employee has approved their own timesheet (sign &amp; date).</li> <li>• Ensure Approvals by Authorized Supervisors (sign &amp; date).</li> <li>• Ensure manual time recorded matches Kronos electronic system</li> <li>• Ensure data is correctly entered into the HTE system by appropriate individual. <b>**</b>(Ensure data is entered timely into HTE. (data will only be keyed into HTE until we go "live" with the Kronos system))<b>**</b></li> <li>• Verify employee's rate of pay and re-calculate the amount of employee's paycheck to ensure employee was paid appropriately.</li> <li>• Ensure there is a backup individual for the main time and attendance employee who enters data into the HTE system.</li> </ul>	<ul style="list-style-type: none"> <li>• This is a follow up in direct response to review performed in the previous (08-09) fiscal year in regard to one employee's time and attendance records. The employee's time and attendance records were being fabricated to show additional time worked to receive additional monies from the City of Wilmington without working for those funds.</li> </ul> <p><i>*In the past the overtime has always been the concentration, so I think it's time to review and improve the regular time processes and procedures.</i></p> <p><b><i>This is also a follow up to the newly implemented Kronos Time Management System that was implemented in TBD.</i></b></p>
<p><b>5. First Fruit Ministries Review of cash controls and financial reporting controls.</b></p>	<ul style="list-style-type: none"> <li>• Received anonymous phone call in regard to First Fruit in November 2008 as well as tips from previous council member. <i>Is this even a possibility?</i></li> </ul> <p><i>*Still not sure if this audit is even possible due to limitations. Any outside agencies that we award money to should have an audit periodically. (Ex: Wave Transit)</i></p>
<p><b>6. SI (Special Investigative Fund - Confidential Informant) Audit</b></p>	<ul style="list-style-type: none"> <li>• Must Audit SI (Special Investigative Fund - Confidential Informant) on an annual basis per W.P.D. Internal Policy.</li> <li>• As of July 1, 2009 a new Captain (Captain Randy Pait) is overseeing this Division as Captain Hickman retired June 30, 2009. As with any division, as changes occur in management, processes and procedures change and risks are elevated.</li> </ul> <p><i>*(Must be completed by 6.30.10)*</i></p>
<p><b>7. Narcotics Fund &amp; Any other funds being held at Police Department – Possible Options...</b><i>Need to discuss with Captains who oversee these funds and review other W.P.D. internal policies</i></p>	<ul style="list-style-type: none"> <li>• Identified two other funds being maintained within W.P.D. in May 2009. Investigate these other two funds to possibly audit.</li> <li>• Need to perform Audits of these two other funds.</li> </ul>
<p><b>8. HR Audit – have not pinpointed exact area of audit at this time; waiting to discuss more with HR Director</b> (Performing towards the end of the fiscal year to allow the new HR Director to get set into the new position with the C.O.W.)</p>	<p><u>Here are some options:</u></p> <ul style="list-style-type: none"> <li>• Hiring employees</li> <li>• Maintenance and security of employee sensitive personal information and employment documentation</li> <li>• Terminating employees</li> <li>• Other related HR procedures surrounding the effectiveness of the HR function</li> </ul>
<p><b>9. Internal Trainings for City of Wilmington Employees</b> - Add time for any additional trainings that are needed from the Internal Audit Division <u>to the Employees within the City of Wilmington</u></p>	<ul style="list-style-type: none"> <li>• Example performed Fraud Policy Trainings in 08-09'</li> <li>• Possibly Internal Control Trainings</li> <li>• This is identified as a Special Project or Professional Development for the City of Wilmington Employees</li> </ul>

<b>10. Audit Hotline &amp; On-line Anonymous Form Implementation</b>	<ul style="list-style-type: none"> <li>• Implement a web-based anonymous Audit Hotline using Internet/Intranet electronic submittal forms. These forms would be created in IT and the messages arising from these would be directed to Internal Audit.</li> <li>• <i>*May 2009 – currently working with Alex Shiplett, webmaster to implement an <u>audit hotline form</u> on the external website as well as the Intranet page. The form would be set up so individuals or employees could submit things anonymously to the Internal Audit Division.</i></li> <li>• <i>Currently Alex has set up a “test” system on the external website and it appears to be working. Now I need to positively market the Hotline throughout the City.</i></li> </ul>
<b>11. Internal Audit Division Newsletters (4 total)</b>  <b>Fall Edition 2009</b> (November)  <b>Winter Edition 2009-2010</b> (February)  <b>Spring Edition 2010</b> (May)  <b>Summer Edition 2010</b> (August)	<ul style="list-style-type: none"> <li>• This form of communication is efficient to all staff because it communicates in a fast and inexpensive way. It communicates important updates on the following topics: strong internal controls, accounting standards, upcoming audits, recently released audit report and related findings, recently released policies/procedures by Internal Audit Division. It communicates to the entire organization what the Internal Audit Division is about and keeps an awareness out there that we are still here and wondering around. It keeps everyone on their toes! =)</li> <li>• I have gotten great feedback from people about the Newsletter...they are a big hit!</li> </ul>
<b>12. Professional Development - Additional Training for City Auditor (<a href="#">Just options</a>)</b>	<ul style="list-style-type: none"> <li>• <b>July 19-21, 2009: Wrightsville Beach, NC NC Summer Finance Officer's Conference (Local Conference) → (approved by S.C. on 6.18.09 - \$155.00 conf.administration fee)</b>  <a href="#">Wrightsville Beach, NC – Holiday Inn Sunspree</a></li> <li>• <b>August 24-26, 2009: San Diego, CA</b>  <a href="#">Internal Audit Solutions for Tough Times: Including Fraud &amp; Technology</a></li> <li>• <b>UNC School of Government: Chapel Hill, NC (Possibility only)</b>  <a href="#">Municipal and County Administration Course</a> (Several Dates Available)</li> <li>• <b>Other Webinar (or Web Based) Trainings</b></li> </ul>
<b>13. Fireman's Retirement Benefit Fund</b>	<ul style="list-style-type: none"> <li>• Briefly reviewed these disbursements during a finance check sample test from May 2009. Not a lot of controls surrounding this program, and it needs to be reviewed in more detail.</li> <li>• Chief Martinette also mentioned this to me in February 2009. He wanted to strengthen internal controls around this program because he said there was room for improvements.</li> </ul>
<b>13. Loan Confirmations (<i>Quarterly</i>)</b>	<ul style="list-style-type: none"> <li>• Loan Confirmations must be performed on a quarterly basis with the Loan Division in the Finance Department per the External Auditors as of June 30, 2008</li> <li>• A Sample of Active Loans within the City of Wilmington's Loan Division will be confirmed through letters to the loan recipients on a</li> </ul>



	quarterly basis.
<b>14. Professional Development (Educational Goal)</b>	<ul style="list-style-type: none"> <li>Began studying and PASS the CIA (Certified Internal Auditor Exam)</li> </ul>
<b>15. Special Projects &amp; Investigations</b>	<ul style="list-style-type: none"> <li>Additional time allocated for special projects and other investigations</li> <li>08-09' completed one investigation for W.P.D.</li> <li>08-09' completed unexpected Finance Department Check Sample Testing</li> </ul>
<b>16. Surprise Petty Cash Counts</b>	<ul style="list-style-type: none"> <li>Surprise Petty Cash counts at various random locations throughout City. During 08-09 Fiscal Year Internal Audit sampled ALL Petty Cash locations. Choose a random sample and test on a surprise basis.</li> </ul>
<b>17. Red Flag Rules – Follow Up</b>	<ul style="list-style-type: none"> <li>Continue follow-up on the red flag rules – scheduled at least one meeting for the Red Flag Rules Committee during year</li> <li>Effective now as of 8.1.2009 due to delay from 5.1.09</li> <li>Ensure all necessary employees have completed brainshark training for compliance purposes</li> </ul>
<b>18. On-going Updates for Internal Audit Webpage and Internal Audit Intranet Webpage</b>	<ul style="list-style-type: none"> <li>Continually update Internal Audit webpage as needed</li> </ul>
<b>19. Finance Department – Payroll Audit</b>	<ul style="list-style-type: none"> <li>Payroll Audit – have not specified which procedure(s) yet to pinpoint, options listed below.</li> </ul> <p><u>Here are some options:</u></p> <ul style="list-style-type: none"> <li>Entering new employees into the HTE system</li> <li>Terminating of employees in the HTE system</li> <li>Watching one employee being processed through entire payroll process from beginning to end for payroll purposes (just use an existing employee to show how hours are entered...from Kronos or manually...and the checks and balances that go into to ensuring the amount of hours being paid are accurate all the way through until the employee receives their paycheck)</li> </ul>
<b>20. Observe Annual Inventory Counts conducted by the Finance Department</b>	<ul style="list-style-type: none"> <li>Spot check some of their inventory counts to ensure accuracy</li> </ul>
<b>21. Audit of Finance Department's - Loan Division Program Processes and Procedures (performed on a bi-annual basis) – <i>this was a direct request from Alice Johnson &amp; Debra Mack</i></b>	<ul style="list-style-type: none"> <li>Bi-annual audit of the loan division's program within the Finance Department.</li> <li>How are loans processed? Efficient?</li> <li>How are loans awarded? Compliance, etc?</li> <li>Are specific loan documents and other documentation maintained in a secure environment? Red Flag Rules Compliance? (stored in locked filing cabinets, etc)</li> <li>Who has access to the sensitive personal identifying information? Is access restricted? If so, to whom?</li> <li>How are loans terminated?</li> <li><i>**No sample testing necessary due to quarterly loan confirmations that are sent out. Possible could perform some other type of tests. **</i></li> <li><i>Maybe perform some type of test of controls.</i></li> </ul>

# Audit Work Plan for Fiscal Year 2009-2010

## ***EXTENDED WORK PLAN***

<b>Additional Audits if needed:</b> <i>(What doesn't get performed from during this fiscal year will be on the 2010-2011 workplan)</i>	
<b>1. Fixed Asset Inventory Audit</b>	<ul style="list-style-type: none"><li>• This audit performs the task of identifying if there are adequate internal controls surrounding the fixed asset inventory for the City of Wilmington. A sample of fixed assets will be pulled from HTE and tested to ensure the assets are being maintained properly and at fair value. Also the processes and procedures will be reviewed to determine if controls are in place and working effectively.</li></ul>
<b>2. Office Depot Contract</b>	<ul style="list-style-type: none"><li>• November 2008 article from NC State Auditor in regard to overcharges from Office Depot for state and local government contracts. Review the 08-09 Contract between the City of Wilmington and Office Depot.</li></ul>
<b>3. Bi-Annual Internal Control Questionnaire's (2010-2011 Fiscal Year – kept on here for reminder purposes!)</b>	<ul style="list-style-type: none"><li>•</li></ul>